



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

FILED

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Application of Southern California Edison)
Company (U 338-E) for a Commission Finding)
that its Procurement-Related and Other)
Operations for the Record Period January 1)
Through December 31, 2006 Complied with its)
Adopted Procurement Plan; for Verification of its)
Entries in the Energy Resource Recovery)
Account and Other Regulatory Accounts; and for)
Recovery of \$4.863 Million Recorded in Four)
Memorandum Accounts.)

Application 07-04-001

(Filed April 2, 2007)

RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E)
TO DIVISION OF RATEPAYER ADVOCATES' MOTION TO STRIKE

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Dated: **May 22, 2007**

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STATE OF CALIFORNIA**

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**RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E)
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I.

INTRODUCTION

Pursuant to D.02-10-062, on April 2, 2007, Southern California Edison Company (SCE) submitted its April 2007 Energy Resource Recovery Account (ERRA) application to the Commission, which sets forth SCE's procurement-related operations for the Record Period January 1, 2006 through December 31, 2006. In this application, SCE demonstrates that during the Record Period: (1) its recorded fuel expenses and energy expenses were reasonable, (2) its contract administration, dispatch of generation resources, and related spot market transactions complied with Standard of Conduct Four in SCE's Commission-approved procurement plan, and (3) its other operations subject to Commission review were reasonable.

In addition, as required in D.06-05-016, SCE presents testimony in this proceeding to support a finding that the entries recorded in the Mohave Balancing Account (MBA) are

reasonable, and that capital expenditures of \$16.4 million that SCE incurred to preserve the possibility of continued or resumed operations at the Mohave Generating Station beyond December 31, 2005 are reasonable and recoverable. Once approved, SCE will recover the annual capital-related revenue requirement associated with these capital expenditures (i.e., depreciation, return, and associated taxes) through the operation of the MBA.

On May 8, 2007, the Division of Ratepayer Advocates (DRA) filed a motion to strike those portions of SCE's application and prepared testimony that deal with its request to recover the balance in the Mohave Balancing Account.¹ In its motion, DRA argues that SCE's request for evaluation of the MBA in the ERRA proceeding is an inappropriate attempt to modify the scope of the ERRA, which, according to DRA, "is limited to review of procurement activities."² DRA also claims that including a review of the MBA in the ERRA "potentially confuses the standard of review of the ERRA, which is generally considered a compliance filing."³ Finally, DRA believes review of the MBA in the ERRA would avoid any meaningful review, because "there is typically limited participation by intervenors in ERRA proceedings."⁴ As SCE will demonstrate below, none of DRA's concerns has any merit.

II.

SCE'S REQUEST FOR THE COMMISSION TO REVIEW THE MBA IN THIS ERRA PROCEEDING HAS BEEN APPROVED BY THE COMMISSION

On pages 3-5 of its motion, DRA argues that consideration of the MBA in the ERRA would be inappropriate because it would involve a review of the O&M and capital-related costs recorded in the account. According to DRA, "review of ERRAs remains limited in scope to the tracking of procurement-related costs, including contract administration, utility retained

¹ Specifically, DRA moves to strike the final paragraph on page 3 of SCE's application, and Chapter V of SCE's confidential and public prepared testimony (pages 73-119 of volume one), identified as SCE-1.

² DRA motion, page 3.

³ *Id.*

⁴ *Id.*

generation (URG) fuel costs, and least cost dispatch.” DRA argues that “the issues relevant to the ERRA proceeding have been heavily disputed,” and that the Commission has excluded a review of O&M and capital-related costs from the ERRA.⁵

While DRA is correct that the scope of the ERRA proceeding has been heavily litigated, the focus of the dispute in SCE’s ERRA has been disagreement over whether Commission review of least cost dispatch under Standard of Conduct 4 (SOC4) should be limited to the day-ahead and hour-ahead markets, or should include a review of procurement transactions up to one year in advance of delivery. The nature of this dispute is reflected in the passages from Commission ERRA decisions that DRA quotes in footnotes 3-5 of its motion, particularly in D.05-01-054, pages 7-10. There, the Commission confirmed that its review of SCE’s least cost dispatch activities in the ERRA should be limited to the day-ahead and hour-ahead markets. Review of longer-term transactions, such as those made up to a year in advance of delivery, should take place in the utility’s quarterly procurement advice letter filings.

However, DRA overlooks the fact that the Commission has used the ERRA proceedings to review issues other than least cost dispatch. D.05-01-054 offers a good example of Commission review of these other issues. In this decision, the Commission discusses SOC4 issues, including least cost dispatch and contract administration, on the first 23 pages of the decision. Beginning on page 25, the Commission discusses issues that were raised in DRA’s audit in that proceeding, including payments to CDWR, an ISO expense adjustment, refinancing transaction fees, and employee-related costs. Beginning on page 28, the Commission discusses various uncontested issues that were raised in SCE’s testimony, including the reasonableness of SCE’s generation operations, a review of special contracts, SCE’s cost of collateral, ISO-related costs, fuel oil inventory carrying costs, and electric vehicle costs.

The issues addressed in D.05-01-054 merely illustrate the fact that it is the Commission that defines the scope of the ERRA, and that the scope often extends beyond least-cost dispatch

⁵ DRA motion, page 4.

and contract administration. For example, on page 4 of its motion, DRA quotes a passage from page 62 of D.02-10-062 to support its claim that O&M and capital-related costs are not to be reviewed in the ERRA. Actually, this passage states that the Commission “finds merit” in TURN’s proposal to consider O&M and capital costs in the ERRA, but does not adopt it “at this time.” Rather, “We should revisit this proposal when the Commission addresses whether the respondent utilities should build or operate new generation resources.” The point is that it is clearly within the Commission’s discretion to consider O&M and capital-related costs in the ERRA if it chooses to do so.

DRA also claims that D.05-11-007 (a PG&E ERRA proceeding) excludes a review of “URG operations, maintenance or capital costs” from the ERRA. According to DRA, “[in D.05-11-007] the Commission refused to consider DRA’s review of PG&E’s URG operations, including planned and unplanned forced outages, to evaluate the reasonableness of PG&E actual power purchases.”⁶ However, DRA’s description does not reflect what the Commission actually did in that decision. On pages 2-4 of D.05-11-007, the Commission provided a detailed description of an unplanned forced outage at PG&E’s Rock Creek Powerhouse Unit 1, which included DRA’s argument that the outage was unreasonable and PG&E’s reply explaining why the maintenance performed during the outage was reasonable and why the replacement power cost incurred during the outage was reasonable. The Commission then stated, “Based on this record, we conclude that PG&E prudently managed its energy source impacted by the unplanned outage and did not adversely impact its URG fuel cost.”⁷ This conclusion was supported by detailed findings of fact (Findings 4-9) and a conclusion of law (Conclusion 3). If a review of URG forced outages and related maintenance is outside the scope of the ERRA, why did the Commission actually review the forced outage of Rock Creek Unit 1 in PG&E’s ERRA decision, and support its conclusion that the outage was reasonable with detailed findings and

⁶ DRA motion, pages 4-5.

⁷ D.05-11-007, pages 2-4.

conclusions? Obviously, the Commission has discretion to review issues in the ERRA that are not ordinarily considered ERRA issues whenever it decides it is appropriate to do so.⁸

Finally, DRA includes in its motion a lengthy quote from D.06-05-016, SCE's 2006 General Rate Case decision, to show that when the Commission approved the MBA, it intended that both O&M and capital-related costs should be recorded in the account. SCE agrees that this was the Commission's intent. DRA also acknowledges that the Commission adopted "the two-way balancing account *as proposed by SCE*."⁹ What DRA does not acknowledge is that when the Commission adopted the MBA "as proposed by SCE," it actually authorized SCE to request review of the MBA in the ERRA proceeding. In SCE's prepared GRC testimony in which it presented its proposal for ratemaking treatment of the Mohave shutdown costs, SCE proposed the establishment of a balancing account in which to record Mohave O&M and capital-related expenses.¹⁰ SCE's testimony described the proposed monthly operation of the account, and then stated: "The Commission could review the reasonableness of the amounts recorded in the MBA on an annual basis in SCE's Energy Resource Recovery Account (ERRA) proceedings."¹¹

In Ordering Paragraph 9 of D.06-05-016 the Commission states: "At an appropriate time, after the permanent status of Mohave is determined, SCE shall file an application seeking a final determination of the reasonableness of the costs recorded to the Mohave balancing account." The wording of this ordering paragraph gives SCE the discretion to decide when and in what forum it will file its application for Commission review of the MBA. Given SCE's proposal in its GRC testimony that this review could take place in the ERRA, and the Commission's approval of the MBA "as proposed by SCE," D.06-05-016 clearly authorized SCE to request review of the MBA in the ERRA proceeding if it chose to do so.

⁸ It is SCE's position that Commission review of URG operations, maintenance and outages in the ERRA is appropriate because the length of URG outages has a direct impact on the cost of replacement power, which is obviously a procurement cost that is appropriate for review in the ERRA.

⁹ See DRA motion, page 5. The quoted passage is from D.06-05-016, page 19 (emphasis added).

¹⁰ See, A.04-12-014, SCE Exhibit 77, page 100.

¹¹ *Id.*, page 118.

This is in fact the course SCE chose. On May 22, 2006, SCE filed Advice Letter 2003-E to implement D.06-05-016. Among other things, the Advice Letter noted that D.06-05-016 approved the MBA “to record the ongoing O&M expenses and capital-related costs associated with the temporary shutdown [of Mohave].”¹² Appendix 1 of the Advice Letter established a number of new regulatory mechanisms, including the MBA. The language establishing the MBA stated that “Reasonableness of amounts recorded in the MBA shall be determined in SCE’s April 1st ERRA annual reasonableness proceedings.”¹³ The Advice Letter also attached the proposed MBA tariff, which states in paragraph 4 that “Reasonableness of amounts recorded in the MBA shall be determined in SCE’s April 1st ERRA annual reasonableness proceedings.” After the customary review of Advice Letter 2003-E, the Energy Division issued its approval of the Advice Letter, including the proposed MBA tariff, on September 14, 2006. Therefore, Commission review of the MBA in SCE’s ERRA has been granted full Commission approval. DRA’s arguments to the contrary are simply not valid. For the Commission’s convenience, SCE has attached the relevant pages of Advice Letter 2003-E, the MBA tariff, and the Energy Division’s approval letter as Appendix A to this response.

III.

DRA’S OTHER ARGUMENTS LACK VALIDITY

A. The MBA Can Be Subject to a Traditional Reasonableness Review in the ERRA

Given the Commission’s approval for SCE to seek review of the MBA in the ERRA proceeding, DRA’s other arguments in its motion can be disposed of readily. For example, on pages 6-8 of its motion, DRA argues that the scope of review in the ERRA is limited to a compliance review, rather than the full reasonableness review the Commission contemplates for the MBA. But as the passages from the Commission decisions quoted on page 6 of DRA’s

¹² Advice Letter 2003-E, page 2.

¹³ *Id.*, Appendix 1, page 1.

motion make clear, the compliance review standard applies (as required by AB 57) to Commission review of issues within the purview of SOC4 – particularly to the review of SCE’s least cost dispatch activities. In contrast, Commission review of the O&M and capital-related costs in the MBA is not governed by AB 57. Therefore, it is appropriate for this review to be a traditional reasonableness review. Given the fact that the Commission has adopted a number of decisions that define the scope of a compliance review as compared to a reasonableness review, SCE has no doubt the Commission can apply the two standards appropriately in this proceeding.

B. A Reasonableness Review of the MBA Would Not be Appropriate in a GRC

On page 7 of its motion, DRA states that “a full-blown reasonableness review, such as in a General Rate Case, is necessary to determine the appropriateness of entries made into the MBA.” Here, DRA misstates the purpose of a General Rate Case. The overall purpose of a GRC is to review forward-looking, estimated costs in order to establish a future test year revenue requirement. GRC proceedings occur only once every three years. On the other hand, the purpose of the MBA is to facilitate an *annual* review of *recorded* Mohave O&M and capital-related costs. This review is to determine the level of such costs that, in the wording of paragraph 4 of the account, will be “recovered from or returned to customers on an annual basis.” With only rare exceptions, GRCs do not review recorded costs in balancing accounts. However, Commission review of recorded costs is one of the main purposes of SCE’s April ERRA proceeding. Moreover, Mohave costs in the MBA are to be reviewed on an *annual* basis, not every three years as would be the case in a GRC. This is consistent with the Commission’s statement that it approved the MBA “Due to the many uncertainties related to [Mohave].”¹⁴ It would simply exacerbate those uncertainties if the Commission were to review the MBA only once every three years in a GRC proceeding.

¹⁴ D.06-05-016, page 18.

C. Broad Public Participation can be Readily Obtained in the ERRA

DRA argues on pages 8-9 of its motion that public participation in the ERRA is normally quite limited, and that such participation would be broader in a GRC or other proceeding. This argument ignores the fact that all parties to SCE's 2006 GRC had a full opportunity to express their positions on the issues related to Mohave in the GRC proceeding. Thus, SCE's Mohave proposals have already had a full public airing. Nevertheless, if the Commission wishes to give a broader audience the opportunity to comment on the costs recorded in the MBA, it can do so by simply directing SCE to serve its ERRA testimony on a more extensive service list.

D. The ERRA Schedule can be Modified to Accommodate DRA's Staffing Concerns

Finally, DRA argues on page 8 of its motion that given all the other issues in the ERRA, it lacks the resources to fully evaluate the costs in the MBA in this proceeding. SCE disagrees. Whether DRA is required to evaluate the MBA costs in this proceeding or in some other proceeding, the amount of work involved will be the same. It is simply a matter of DRA allocating the appropriate level of its resources to accomplish the work. However, if it would assist DRA in its review, SCE would not object to the Commission separating out the Mohave issues within the context of this proceeding, and allowing DRA to submit its report on those issues on a somewhat delayed time schedule. For example, DRA could submit its report on all other issues in the proceeding on August 3, as DRA has proposed in its protest filed on May 7, and then submit its report on the Mohave issues three weeks later on August 24. Obviously, this delay would also require that SCE's rebuttal testimony on the Mohave issues would have to be delayed, perhaps to September 14. This may also require the hearing dates to be delayed perhaps by one week to September 24-26. The point is that SCE is willing to be flexible with regard to DRA's schedule for issuing its report on the MBA as long as the Mohave issues can be included in the final decision in this proceeding.

IV.

CONCLUSION

For all the reasons set forth above, SCE requests the Commission to deny DRA's motion to strike. However, SCE is willing to be flexible regarding the time schedule for DRA to submit its report on the Mohave issues, as long as those issues can be resolved in the Commission's decision in this proceeding.

Respectfully submitted,

/s/ Robert B. Keeler

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May 22, 2007

APPENDIX A

May 22, 2006

**ADVICE 2003-E
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Implementation of the Test Year 2006 General Rate Case
(GRC) Adopted Revenue Requirement and Ratemaking
Mechanisms in Accordance with Decision No. 06-05-016

In accordance with Decision (D.) 06-05-016, Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

The purpose of this advice filing is to (1) implement GRC-authorized revenue requirements for the 2006 Test Year; (2) modify the Preliminary Statement section of SCE's tariffs to establish new ratemaking mechanisms, modify existing ratemaking mechanisms, and eliminate those ratemaking mechanisms no longer needed consistent with D.06-05-016; (3) set forth the recorded operation of the GRC Revenue Requirement Memorandum Account (GRC RRMA); (4) implement Commission-authorized Other Operating Revenue (OOR) charges; and (5) set forth SCE's plan for implementing the 2006 GRC revenue requirement change in rate levels.

BACKGROUND

On December 21, 2004, SCE filed Application No. (A.) 04-12-014 requesting, among other things, an increase in its base-related revenue requirements for the 2006 Test Year and 2007 and 2008 Post Test Years. SCE's base-related revenue requirements include the costs of operating, maintaining, and investing

in SCE's generation, distribution, and general functions, and excludes costs such as fuel, and power procurement. In D.06-05-016, the Commission:¹

- Authorizes a CPUC jurisdictional base revenue requirement of \$3.749 billion for the 2006 Test Year;²
- Adopts a Post Test Year Ratemaking (PTYR) mechanism based on adopted summary of earnings for 2006, escalated operating and maintenance expenses consistent with SCE's proposal and current mechanisms, and increased capital related costs determined by escalating plant additions by 2.5 percent for each of the years 2007 and 2008;
- Adopts a temporary shutdown ratemaking scenario for the Mohave Generating Station and approves a two-way balancing account to record the ongoing O&M expenses and capital-related costs associated with the temporary shutdown;
- Excludes SCE's forecast of Project Development Division costs from the authorized revenue requirements, but approves the establishment of the Project Development Division Memorandum Account (PDDMA) to track costs that support new generation and that are not associated with proposed projects for future recovery in rates;
- Approves, in part, SCE's request to adjust charges for reconnections, service establishment, field assignment, Added Facilities, and Direct Access Service Fees;
- Approves the Post Employment Benefits Other than Pensions Costs (PBOP) Balancing Account (PBOP BA) and the Pension Costs Balancing Account (PCBA);
- Adopts the establishment of a Mohave Sulfur Credit Sub-Account in the Energy Resource Recovery Account (ERRA);
- Authorizes the establishment of a memorandum account to track the revenue requirement associated with forecast and recorded 2004 and 2005 plant additions;
- Continues the ratemaking procedures for SONGS 2&3 flexible Refueling and Maintenance Outage for test year 2006 including the advice letter procedures for post test years 2007 and 2008;

¹ D.06-05-016 also approved the settlement agreement between SCE, The Utility Reform Network, and the Coalition of California Utility Employees and the establishment of the Reliability Investment Incentive Mechanism (RIIM). The Advice Letter setting forth the establishment of the RIIM will be filed separately.

² The adopted 2006 revenue requirement set forth in Appendix C of D.06-05-016 reflects SCE's 2006 cost of capital as authorized in D.05-12-043.

- Approves the continued use of a labor cost allocator to functionalize those A&G costs and general plant costs that cannot be directly assigned to Generation or Distribution, and rejects SCE's proposal to move A&G costs assigned to Generation by the labor allocator to the Distribution function;³
- Authorizes the disposition of amounts recorded in the GRC RRMA;
- Approves the SCE, Western Manufactured Housing Community Association, and TURN Settlement Agreement regarding bill calculation services for submetered mobilehome parks; and
- Adopts a Results Sharing Memorandum Account to track the difference between authorized and recorded Results Sharing expenses paid out.

IMPLEMENTATION OF GRC-AUTHORIZED REVENUE REQUIREMENTS FOR 2006

As approved in Ordering Paragraph 1 of D.06-05-016, SCE is authorized to recover, through rates and through authorized ratemaking mechanisms, the 2006 Test Year base revenue requirement set forth in Appendix C to D.06-05-016. The adopted 2006 Test Year base revenue requirement is set forth below in Table 1.

TABLE 1 2006 GRC Adopted Revenue Requirement Pursuant to D. 06-05-016 Thousands of Dollars		
Line No.	Item	
1.	Base Revenues	3,749,292
2.	Expenses:	
3.	Operation & Maintenance	1,788,462
4.	Depreciation	793,093
5.	Taxes	527,300
6.	Revenue Credits	(158,770)
7.	Total Expenses	2,950,085
8.	Net Operating Revenue	799,207
9.	Rate Base	9,112,944
10.	Rate of Return	8.77%

³ In D.03-08-062, the Commission accepted the use of FERC's labor allocator methodology to assign A&G and general plant costs to the transmission function.

PRELIMINARY STATEMENT MODIFICATIONS

Implementation of D.06-05-016 requires SCE to:

1. Establish the following new regulatory mechanisms, which are described in Appendix 1 to this advice letter;⁷
 - Mohave Balancing Account
 - Post Employment Benefits Other than Pensions Costs Balancing Account
 - Pension Costs Balancing Account
 - Project Development Division Memorandum Account
 - Direct Access Customer Charge Revenue Memorandum Account
 - Results Sharing Memorandum Account
2. Modify the following existing regulatory mechanisms, which are described in Appendix 2 to this advice letter;
 - Base Revenue Requirement Balancing Account
 - Post Test Year Ratemaking Mechanism
 - Late Payment Charge Revenue Balancing Account
 - Energy Resource Recovery Account
 - Demand Response Program Balancing Account
 - Research, Development, and Demonstration Adjustment Clause
3. Eliminate the following regulatory mechanisms, which are described in Appendix 3 to this advice letter and, where applicable, transfer ending balances to other regulatory accounts;

⁷ D.06-05-016 also approves the Reliability Investment Incentive Mechanism (RIIM) included in the settlement agreement between SCE, The Utility Reform Network, and the Coalition of California Utility Employees. The RIIM will be filed in a separate Advice Letter.

TABLE 4			
Eliminated Regulatory Accounts Balance Transfers			
(Over) / Undercollections			
Thousands of Dollars			
May 31, 2006			
Line		Estimated	Account Balance
No.	Account	Balance	Transferred To
1.	GRC RRMA	50,148	BRRBA
2.	ODAM	22,830	BRRBA
3.	MERMA	32	MBA

In addition, SCE is transferring the balances in the following regulatory mechanisms to other regulatory accounts as approved in D.06-05-016.

TABLE 5			
Regulatory Accounts Balance Transfers			
(Over) / Undercollections			
Thousands of Dollars			
May 31, 2006			
Line		Estimated	Account Balance
No.	Account	Balance	Transferred To
1.	CEMA Firestorm - O&M and Capital	14,412	BRRBA
2.	CEMA Bark Beetle - Capital	1,165	BRRBA
3.	EETA - Capital	6,162	BRRBA

Note: In Tables 4 and 5 all balances are estimated as of May 31, 2006. The recorded May 31, 2006 balances in these accounts will ultimately be transferred to the BRRBA or in the case of the MERMA to the MBA. The balances in Table 5 reflect activity through January 11, 2006 and interest through May 31, 2006.

GRC REVENUE REQUIREMENT MEMORANDUM ACCOUNT

In accordance with D.06-01-020, SCE established the GRC RRMA (effective January 12, 2006) to track the difference between: 1) the GRC revenue requirements authorized by the Commission in D.06-05-016; and 2) the currently authorized base-related revenue requirements including the RCRA less the

APPENDIX 1

New Regulatory Mechanisms

APPENDIX 1

New Regulatory Mechanisms

The new regulatory mechanisms adopted in D.06-05-016 (2006 GRC Decision) are described below. Attachment A to this advice filing contains the tariffs for the new regulatory mechanisms.

1. Results Sharing Memorandum Account (RSMA)

Pursuant to Ordering Paragraph No. 21 of D.06-05-016, SCE is establishing the Results Sharing Memorandum Account (RSMA) to track the difference between authorized and recorded Results Sharing expenses paid out. When the Results Sharing payouts for 2006, 2007 or 2008 are determined, any shortfall in the payment to employees when compared to the authorized amount for that particular year will be credited to the RSMA. Any overcollection in the RSMA will be transferred to the Base Revenue Requirement Balancing Account (BRRBA) to be refunded to customers on an annual basis.

2. Mohave Balancing Account (MBA)

In accordance with Ordering Paragraph No. 8 of D.06-05-016, SCE is establishing a two-way balancing account, the Mohave Balancing Account (MBA), to track the difference between: (1) recorded Capital-related Expenses, Operating Expenses and Worker Protection Expenses associated with the Mohave Generating Station (Mohave); and (2) the Authorized Mohave Revenue Requirement as adopted in D.06-05-016. Reasonableness of amounts recorded in the MBA shall be determined in SCE's April 1st ERRRA annual reasonableness proceedings. Any over/under-collection in the MBA shall be transferred to the BRRBA for cost recovery on an annual basis.

3. Post Employment Benefits Other than Pensions Costs Balancing Account (PBOP BA)

In accordance with D.06-05-016, SCE is establishing the two-way balancing account for the Post Employment Benefits Other than Pensions (PBOP) Costs.¹ The purpose of the

¹ Post Employment Benefits Other than Pensions Costs Balancing Account was not contested in the 2006 GRC (A.04-12-014.)

APPENDIX 3

Regulatory Mechanisms To Be Eliminated

the operation of the ODAM. Since the Commission in D.06-05-016 has authorized recovery of the RCRA revenue requirement, except for the return offset, through the Authorized Base Revenue Requirement (ABRR), there is no operational reason to have two distribution ratemaking mechanisms, the BRRBA and the ODAM. Thus, SCE is eliminating the Preliminary Statement L, ODAM from its Preliminary Statements¹.

3. Mohave Employee-Related Memorandum Account

The Commission authorized the establishment of the Mohave Employee-Related Memorandum Account (MERMA) in D.04-12-016 to record costs related to worker protection benefits for Mohave Generating Station personnel incurred before the effective date of the 2006 GRC. In Ordering Paragraph 8 of D.06-05-016, the Commission authorized the establishment of the two-way Mohave Account (MBA) that, among other things, includes recovery for these costs. SCE will transfer the balance of \$32 thousand recorded in the MERMA as of May 31, 2006 to the MBA. After the transfer, there is no longer a need to record further entries to the MERMA. Thus, SCE is eliminating Preliminary Statement Part N.17 from its Preliminary Statements.

¹ SCE has modified the BRRBA (Preliminary Statement YY) to include certain cost and authorized revenue requirements included in the ODAM. See Appendix B for a discussion of the BRRBA modifications.



Southern California Edison
Rosemead, California

Original Cal. PUC Sheet No. 40716-E
Cancelling Cal. PUC Sheet No.

PRELIMINARY STATEMENT

Sheet 1

NN. Mohave Balancing Account

1. Purpose:

The purpose of the Mohave Balancing Account (MBA) is to track the difference between: (1) recorded Capital-related Expenses, Operating Expenses and Worker Protection Expenses associated with the Mohave Generating Station (Mohave); and (2) the Authorized Mohave Revenue Requirement as adopted in D.06-05-016.

2. Definitions:

a. Authorized Mohave Revenue Requirement

The authorized Mohave Revenue Requirement is the amount adopted by the Commission in D.06-05-016. The post test year revenue requirement amounts shall be set forth in the Post Test Year Ratemaking advice letters submitted annually to the Commission by November 1.

\$000

Effective Date

Authorized Revenue Requirement

1/12/06

\$57,249

b. Capital-related Expenses

For purposes of making monthly entries to the MBA, capital-related expenses include: (1) depreciation expense based on the currently adopted depreciation rates; (2) return based on the currently authorized rate of return on rate base; and (3) taxes based on income, including appropriate income tax-related adjustments, and deferred income tax expense. Initially, Capital-related expenses are calculated based on the net investment at December 31, 2005.

c. Interest Rate

The Interest Rate shall be one-twelfth of the Federal Reserve three-month Commercial Paper Rate – Non-Financial, from Federal Reserve Statistical Release H.15 (expressed as an annual rate). If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

d. Monthly Distribution Percentages

The Monthly Distribution Percentages (MDPs) applicable to the MBA authorized funding levels shall be the generation MDPs included in Preliminary Statement YY, Base Revenue Requirement Balancing Account (BRRBA).

e. Operating Expenses

For purposes of making monthly entries to the MBA, Mohave-related Operating Expenses include:

- (1) SCE's share of Operation and Maintenance expenses (excl. fuel and fuel-related costs recorded in ERRAs);

1/ Results Sharing is excluded because it will be recorded in a separate memorandum account established pursuant to D.06-05-016.

(Continued)

(To be inserted by utility)

Advice 2003-E
Decision 06-05-016

Issued by

Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)

Date Filed May 22, 2006
Effective May 22, 2006
Resolution _____

PRELIMINARY STATEMENT

Sheet 2

(Continued)

NN. Mohave Balancing Account (Continued)

2. Definitions: (Continued)

e. Operating Expenses (Continued)

(2) Mohave A&G including A&G participant credits billed to the co-owners^{2/};

The items below will be calculated as follows:

a. A&G Participant credits

A&G participant credits are calculated based on annually calculated rates (A&G labor rate, A&G non-labor rate and payroll tax rate) provided to the Mohave co-owners and the total monthly recorded O&M labor and non labor amounts.

b. Benefits

Mohave related benefits will be calculated based on the authorized Mohave-related benefit amount per labor dollar and the total monthly recorded O&M labor amount.

(3) Taxes other than income;

The item below will be calculated as follows:

a. Payroll Taxes

Mohave related payroll taxes will be calculated based on the monthly recorded O&M labor amount and the payroll tax rate calculated in (2a) above.

2/ Pensions and PBOP's are excluded because such amounts will be recorded in a separate balancing accounts established pursuant to D.06-05-016.

(Continued)

(To be inserted by utility)

Advice 2003-EDecision 06-05-016

2C28

Issued by

Akbar JazayeriVice President

(To be inserted by Cal. PUC)

Date Filed May 22, 2006Effective May 22, 2006

Resolution _____



Southern California Edison
Rosemead, California

Original
Cancelling

Cal. PUC Sheet No. 40718-E*
Cal. PUC Sheet No.

PRELIMINARY STATEMENT

Sheet 3

(Continued)

NN. Mohave Balancing Account (Continued)

2. Definitions: (Continued)

f. Rate of Return on Rate Base

The rate of return on SCE's rate base shall be the currently authorized rate of return adopted in SCE's most recent Cost of Capital decision.

g. Worker Protection Expenses

Worker Protection expenses consist of recorded worker protection benefits associated with employees impacted by the Mohave shutdown and shall include, but are not limited, to the following:

- Severance payments
- Retraining expenses
- Early retirement expenses
- Extended health coverage expenses;
- Outplacement expenses;
- Other employee-related expenses approved by the Commission.

3. Operations of the MBA

a. One time transfer of the balance recorded in the Mohave Employee-Related Memo Account (MERMA).

b. Monthly entries in the MBA shall be made on a monthly basis as follows:

- i. Debit entry equal to recorded Capital-related Expenses;
- ii. Plus: debit entry equal to recorded Operating Expenses;
- iii. Less: Authorized Mohave Revenue Requirement less a provision for FF & U, adopted in D.06-05-016 multiplied by the generation MDP found in the Base Revenue Requirement Balancing Account (BRRBA) Preliminary Statement;
- iv. Equals: the monthly (Over)/Under Collection.

Interest shall accrue monthly to the MBA by applying the Interest Rate to the average of the beginning of month and end of month balance in the MBA.

4. Review Procedures

Reasonableness of amounts recorded in the MBA shall be determined in SCE's April 1st ERRR annual reasonableness proceedings. Any (over)/undercollection in the MBA shall be transferred to the BRRBA to be recovered from or returned to customer on an annual basis.

(Continued)

(To be inserted by utility)

Advice 2003-E
Decision 06-05-016

3C24

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Vice President

(To be inserted by Cal. PUC)

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PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-5298



September 14, 2006

Advice Letter 2003-E

SEP 19 2006

REVENUE & TARIFFS DEPT.

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Subject: Implementation of the test year 2006 general rate case

Dear Mr. Jazayeri:

Advice Letter 2003-E is effective May 22, 2006. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in dark ink, appearing to read 'S. H. Gallagher'.

Sean H. Gallagher, Director
Energy Division

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E) TO DIVISION OF RATEPAYER ADVOCATES MOTION TO STRIKE on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

Transmitting the copies via e-mail to all parties who have provided an e-mail address.
First class mail will be used if electronic service cannot be effectuated.

Executed this **22nd day of May, 2007**, at Rosemead, California.

/s/ Christina A. Sanchez
Christina A. Sanchez
Project Analyst
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770

A.07-04-001

Tuesday, May 22, 2007

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